# *U.S.-CAFTA-DR Free Trade Agreement*
## New England Farmers Will Benefit.

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Exports of farm products help boost farm prices and income in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Such exports help support about 4,677 jobs both on and off the farm in food processing, storage, and transportation. In 2003, the region's total farm cash receipts reached $2 billion, and agricultural exports were estimated at $296 million. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase New England's exports of agricultural products.

**New England States Benefit From the U.S.- CAFTA-DR Free Trade Agreement (FTA)**

Despite over $1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including key exports from New England states. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

**Dairy.** Providing nearly $600 million in farm cash receipts, New England dairy producers benefit from the FTA. Dairy is the top source of farm cash receipts in Vermont, the 2$^{nd}$ largest source in Connecticut, Maine, New Hampshire and Rhode Island, and the 3$^{rd}$ largest source in Massachusetts.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.
- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Potatoes.** Providing over $115 million in farm cash receipts, New England potato farmers benefit from the FTA. Potatoes are the top source of farm cash receipts in Maine and among the top ten in Rhode Island and Massachusetts.

- U.S. exporters currently face duties around 15 percent (duties on sensitive products may be higher), and the WTO permits duties as high as 60 percent.
- All duties on potatoes will be eliminated over 15 years, except for fresh potatoes in Costa Rica, where liberalization will occur through expanded TRQ access with an initial quantity of 300 metric tons.
- Four Central American countries will provide immediate duty-free access for frozen french fries, while the Dominican Republic will phase-out duties over 5 years.
- Access for frozen french fries into Costa Rica will entail a 6 year tariff phase-out with a 2,631 metric ton TRQ growing at a 5 percent compounded rate.
- *The National Potato Council, the American Potato Trade Alliance, Washington State Potato Commission, the American Frozen Food Institute, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Fruits.** Fruit producers in every New England state benefit from the FTA. Fruits are among the top ten sources of farm cash receipts in many New England states.

- Providing nearly $51 million in farm cash receipts and produced in every state, New England apple producers benefit from immediate duty elimination by all CAFTA-DR countries on fresh apples. CAFTA-DR countries currently charge duties as high as 25 percent on U.S. apples, and the WTO permits duties as high as 138 percent.
- Blueberry producers in Maine currently face duties as high as 20 percent, and the WTO permits duties as high as 60 percent. These producers benefit from immediate duty elimination on fresh and frozen blueberries by all CAFTA-DR countries except Cost Rica, that will phase-out its duty on fresh blueberries within 5 years and the Dominican Republic that will phase-out its duty on frozen blueberries in 15 years.
- Massachusetts cranberry producers benefit from immediate duty elimination on fresh and frozen cranberries by all CAFTA-DR countries except Cost Rica, that will phase-out its duty on fresh cranberries within 5 years and the Dominican Republic that will phase-out its duty on frozen cranberries in 15 years. Current duties on cranberries can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent.
- Peach producers in Connecticut and pear producers in Massachusetts and Connecticut will benefit from immediate duty elimination on fresh peaches and pears by all CAFTA-DR countries. U.S. suppliers of apples and pears currently fact duties as high as 25 percent, and the WTO permits duties as high as 138 percent
- *The U.S. Apple Association and Norwest Horticultural Council have expressed support publicly for the CAFTA-DR FTA.*

**Beef.** Providing over $86 million in farm cash receipts, New England beef producers benefit from the FTA. Beef is among the top ten sources of farm cash receipts in most New England states.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the

Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.

- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*

**Maple Products.** Producers of maple syrup and other maple products in Vermont, Maine, New Hampshire, Massachusetts, and Connecticut benefit from the FTA.

- CAFTA-DR countries currently charge duties as high as 10 percent on maple products, and the WTO permits duties as high as 70 percent.
- El Salvador, Guatemala and the Dominican Republic will immediately eliminate duties on maple syrup and similar products. Guatemala will phase-out its duties over ten years, and Costa Rica and Nicaragua will eliminate duties on these products within 15 years.

**Tobacco.** Tobacco producers in Connecticut and Massachusetts benefit from the FTA.

- Central American and Dominican import duties on leaf tobacco range from zero to 14 percent, and the WTO permits duties as high 90 percent.
- Under the FTA, duties will be immediately eliminated in El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica and the Dominican Republic will eliminate duties in 10 years.
- U.S. tariffs on tobacco will be phased-out over a 15-year period, except where current duty treatment under CBI grants duty-free access. For those products, the tariff will be set at zero immediately.